

Government set to call Senate's bluff on income tax bill

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The Senate on Thursday is set to pass intact the government's A\$144 billion three-stage income tax package - but whether the plan is fully delivered will depend on who wins the election.

On Wednesday the Senate voted 36-32 for an amended package that removed the third stage of the plan. This stage, implemented in 2024, gives tax cuts to higher income earners, flattening the tax scale so the same marginal rate would apply through incomes from \$41,000 to \$200,000.

But the government has declared the legislation must be passed as a whole, and the House of Representatives on Thursday will reject the amended package.

After intense lobbying of the crossbench, the government is considered to have the required backing to carry the original bill when it is re-presented to the Senate.

Senate leader Mathias Cormann on Wednesday won Senate support for a motion for the bill when it is returned on Thursday to be voted on without further debate. All the crossbenchers except South Australian independent Tim Storer voted for this. Debate on the legislation was also cut short on Wednesday.

Centre Alliance senators Stirling Griff and Rex Patrick voted to strip out stage three, but are now set to vote with the government.

Griff said what while "we are going to make our final decision on the floor", "we are not going to say no to low and middle income earners getting tax cuts."

He said stage three was two elections away, and so there was plenty of time to try to knock it out.

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Storer lashed out at the Centre Alliance senators. Centre Alliance is the renamed former Nick Xenophon Team - Storer was on its ticket at the election.

“They supported an amendment to remove Stage 3 of the bill ... but say they will vote with the government to approve the bill in its entirety when it returns to the Senate,” he said. “We can only conclude Centre Alliance’s initial opposition to Stage 3 was all for show”.

Labor this week committed a Shorten government to repealing the last two stages of the plan if it had been legislated. Instead, Labor would maintain and enhance the first stage, directed to middle and lower income earners.

The first stage starts this year and gives a tax offset to a maximum of \$530 for taxpayers earning up to \$90,000. Labor would then build this to a maximum offset of \$928. The ALP alternative would cost \$73 billion over a decade.

An analysis by the progressive think tank The Australia Institute said that almost 95% of the benefits of stage three “go exclusively to top 20%, while 75% of taxpayers get no benefit at all”.

“We’re not splitting the bill,” Treasurer Scott Morrison said. “Our personal tax plan is not about creating winners and losers, setting winners against losers. It is about ensuring that all Australians win.”

Malcolm Turnbull said the government would reject any amendment “because we want all Australians to get the benefit of a comprehensive tax reform. We want to ensure that 94% of Australians don’t have to pay any more than 32.5% for every extra dollar they earn. We want to reward and encourage aspiration”.

“Aspiration is what is driving the Australian economy,” he said.

Bill Shorten said: “Labor is going to support tax reductions for lower paid workers, 10 million of

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them. ...We have a better plan. We're going to provide a tax refund, a tax cut, of \$928 a year ... for most people. That means over three years, that's nearly \$3,000."

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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